



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 • FAX: 217) 785-4111

DOCKET ITEM: C-1	BOARD MEETING: December 6-7, 2011	EXEMPTION NUMBER: E-012-11
EXEMPTION APPLICANT(S): Alexian Brothers Health System, Ascension Health		
FACILITY NAME and LOCATION: St. Alexius Medical Center, Hoffman Estates		

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants are Alexian Brothers Health System and Ascension Health. The applicants are proposing a change in control of the health care facility's operation, physical plant, and assets. The FMV of the transaction is \$153,075,000.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- 20 ILCS 3960 states that a change of control of a licensed health care facility requires approval of the State Board. Ascension Health has an "AA+" Bond rating therefore the **applicant qualifies for an exemption to the certificate of need application.**

PURPOSE OF THE PROJECT:

- To seek approval of the State Board for a change of ownership of a health care facility as required by the 20 ILCS 3960.

BACKGROUND/COMPLIANCE ISSUES:

- There were no background or compliance issues associated with the applicants.

FINANCIAL AND ECONOMIC FEASIBILITY:

- Ascension Health has an "AA+" Bond rating. Fitch notes *"Ascensions' broad scope of operations, preponderance of high performing providers with strong market positions, consistent operating results, well developed management practices and low debt burden combine to support Fitch's highest long term rating for acute care systems. Due to the wide geographic dispersion of its operations, Ascension's financial results are relatively insulated from local regional, economic, political, and demographic changes that could negatively impact pricing, inflation, and/or patient volumes."*



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CHARITY CARE:

- The applicants have attested that there will be no change in charity care for two years after project completion. The 2010 Hospital Profile Information is attached at the end of this report.

CONCLUSION:

- **All requirements of the exemption application have been met. 20 ILCS 3960/6 states "The State Board shall establish by regulation the procedures and requirements regarding issuance of exemptions. An exemption shall be approved when information required by the Board by rule is submitted.** Projects eligible for an exemption, rather than a permit, include, but are not limited to, change of ownership of a health care facility. For a change of ownership of a health care facility between related persons, the State Board shall provide by rule for an expedited process for obtaining an exemption. In connection with a change of ownership, the State Board may approve the transfer of an existing permit without regard to whether the permit to be transferred has yet been obligated, except for permits establishing a new facility or a new category of service."



STATE AGENCY REPORT
CHANGE OF OWNERSHIP EXEMPTION

I. The Exemption Application

The applicants, Alexian Brothers Health System and Ascension Health are proposing a change in the membership or sponsorship of a not for profit corporation that owns or controls an Illinois licensed health care facility, as well as the physical plant and assets. Per the Strategic Affiliation Agreement between the two applicants, Ascension Health will become the sole corporate member of Alexian Brothers Medical Center, and Alexian Brothers Health System will operate as one of Ascension's Health Ministries. Board Staff notes there are two other facilities/exemption applications involved in the proposed transaction, they are Exemption E-013-11, Alexian Brothers Medical Center, Elk Grove Village, and E-014-11, Alexian Brothers Behavioral Health Hospital, Hoffman Estates. The fair market value of the facility to be acquired is \$153,075,000.

The Illinois Health Facilities Planning Act defines a change of ownership as

". . . a change in the person who has ownership or control of a health care facility's physical plant and capital assets. A change in ownership is indicated by the following transactions: sale, transfer, acquisition, lease, change of sponsorship or other means of transferring control."

II. The Facility

St. Alexius Medical Center (SAMC) is a 310-bed acute care hospital located in Hoffman Estates. Table One below identifies the bed category of services and the authorized beds offered by the hospital, and their 2010 utilization.



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TABLE ONE

St. Alexius Medical Center, Hoffman Estates

2010 Utilization

Beds	Beds	Admissions	Days*	ALOS	ADC	Utilization	Target Occ.	Met Target
Medical Surgical	212	11,676	54,969	4.7	150.6	71%	88%	No
Pediatric	17	941	4,716	5.0	12.9	76%	65%	Yes
Intensive Care	35	1,807	7,276	4.0	19.9	57%	60%	No
Obstetric	38	3,403	8,613	2.5	23.6	62.1%	78%	No
Neonatal	8	107	924	8.6	2.5	31.6%	75%	No
Total	310	17,934	74,498					

Information taken from the 2010 IDPH Hospital Questionnaire

*Includes Observation Days

III. The Applicant

Ascension Health is a Missouri-based nonprofit corporation that operates in more than 500 locations and twenty states. The applicants provided a list containing 77 acute care hospitals operating within the Ascension Health network (application, p. 27). Ascension Health has an AA+ bond rating.



IV. **The Proposed Transaction and Attestations**

Alexian Brothers Health System is proposing to combine its health care system and operations into Ascension Health, the largest not-for-profit Catholic health care system in the United States, as part of a corporate affiliation transaction. The proposed affiliation will result in the transfer of the ultimate control of Alexian Brother's three Illinois hospitals, Alexian Brothers Medical Center, Elk Grove Village (exemption application E-013-11) Alexian Brothers Behavioral Health Hospital, Hoffman Estates (exemption application E-014-11), and St. Alexius Medical Center, Hoffman Estates (exemption application E-012-11). The applicants attest that Alexian Brothers Health System's decision to merge with Ascension Health is one that best fits Alexian Brothers' strategic plan, mission, culture, and financial goals. Both Ascension and Alexian Brothers Health Systems are catholic organizations, and will continue to abide by the *Ethical and Religious Directives for Catholic Health Care Services*. Ascension will offer expanded access to resources necessary for modern health care.

Part of the transaction involves Ascension's obligation to fund a portion of St. Alexius Medical Center's campus modernization program up to \$125,000,000, (Project #09-054), fund the defeasance of outstanding Alexian Brothers Health System debt, and fund an existing Alexian Brothers' long term care project in Tennessee up to \$30,000,000.

The applicants have attested that all beds and services will not substantially change for at least 12 months following the completion of the proposed transaction, and there will be no change resulting in the restriction of patient admissions or reductions in access to care or a more restrictive charity care policy. The applicants attest that an Alexian Brother will be the Chairman of Alexian Brothers Health System Board for a minimum of 4 years, and an Alexian Brother will serve on the Board of Trustees for Ascension Health. The applicants have certified that no adverse actions have been taken against them by the federal government, licensing or certifying bodies of the State of Illinois. The anticipated date for transaction completion is on or before January 1, 2012.

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VI. Other Information

Included in the information submitted to the State Board is the change of ownership exemption application for the proposed change of ownership of St. Alexius Medical Center, Hoffman Estates.

<u>Ownership, Management and General Information</u>			<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	Edward M. Goldberg		White	62.1%	Hispanic or Latino:	13.2%
ADMINSTRATOR PHONE	847-490-6901		Black	4.7%	Not Hispanic or Latino:	78.6%
OWNERSHIP:	Alexian Brothers Health System		American Indian	0.0%	Unknown:	8.1%
OPERATOR:	St. Alexius Medical Center		Asian	8.7%		
MANAGEMENT:	Church-Related		Hawaiian/ Pacific	0.0%	IDPH Number:	4994
CERTIFICATION:			Unknown:	24.5%	HPA	A-07
FACILITY DESIGNATION:	General Hospital				HSA	7
ADDRESS	1555 N. Barrington Road	CITY: Hoffman Estates	COUNTY:	Suburban Cook County		

<u>Facility Utilization Data by Category of Service</u>										
<u>Clinical Service</u>	Authorized CON Beds 12/31/2010	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy 12/31/2010	Staff Bed Occupancy Rate %
Medical/Surgical	212	191	191	11,676	49,939	5,030	4.7	150.6	71.0	78.8
0-14 Years				0	0					
15-44 Years				2,545	8,179					
45-64 Years				3,428	13,528					
65-74 Years				2,033	9,521					
75 Years +				3,670	18,711					
Pediatric	17	27	27	941	3,023	1,693	5.0	12.9	76.0	47.9
Intensive Care	35	25	25	1,807	7,217	59	4.0	19.9	57.0	79.7
Direct Admission				1,807	7,217					
Transfers				0	0					
Obstetric/Gynecology	38	28	28	3,403	8,337	276	2.5	23.6	62.1	84.3
Maternity				2,896	6,877					
Clean Gynecology				507	1,460					
Neonatal	8	8	8	107	924	0	8.6	2.5	31.6	31.6
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds				0	0		0.0	0.0		
Acute Mental Illness	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	310			17,934	69,440	7,058	4.3	209.6	67.608	

(Includes ICU Direct Admissions Only)

<u>Inpatients and Outpatients Served by Payor Source</u>							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
	35.2%	19.9%	0.0%	40.3%	1.0%	3.5%	
Inpatients	6316	3576	0	7234	175	633	17,934
	18.4%	20.3%	0.0%	57.6%	2.0%	1.7%	
Outpatients	36389	40149	67	113920	3927	3409	197,861

<u>Financial Year Reported:</u>	1/1/2010 to	12/31/2010	<u>Inpatient and Outpatient Net Revenue by Payor Source</u>						<u>Charity Care Expense</u>	<u>Total Charity Care Expense</u> 7,209,198
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals				
Inpatient Revenue (\$)	36.2%	12.4%	0.0%	43.7%	7.7%	100.0%				
	50,981,728	17,539,953	0	61,546,751	10,876,710	140,945,142	3,891,953			
Outpatient Revenue (\$)	14.2%	10.4%	0.0%	62.4%	13.0%	100.0%				
	24,029,811	17,606,604	13,525	105,777,949	22,124,969	169,552,858	3,317,245			
										Totals: Charity Care as % of Net Revenue 2.3%

<u>Birth Data</u>			<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>		
Number of Total Births:	3,107		Level 1 Patient Days	5,937		Kidney:		0
Number of Live Births:	3,090		Level 2 Patient Days	0		Heart:		0
Birthing Rooms:	0		Level 2+ Patient Days	3,475		Lung:		0
Labor Rooms:	0		Total Nursery Patientdays	9,412		Heart/Lung:		0
Delivery Rooms:	2					Pancreas:		0
Labor-Delivery-Recovery Rooms:	11					Liver:		0
Labor-Delivery-Recovery-Postpartum Rooms:	0		<u>Laboratory Studies</u>					
C-Section Rooms:	2		Inpatient Studies	570,474		Total:		0
CSections Performed:	1089		Outpatient Studies	634,770				
			Studies Performed Under Contract	72,398				

* Note: According to project #09-054, approved on 3/2/2010, St. Alexius Medical Center, Hoffman Estates, received permit for a major modernization. It includes discontinuation of 27 M/S, 18 Pediatrics beds, and addition of 10 OB and 6 ICU beds. Upon completion, the facility will have 229 M/S and Ped beds, 38 OB beds and 35 ICU beds.

Surgery and Operating Room Utilization

Surgical Specialty	Operating Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	0	0	0	0	0	0	0	0.0	0.0
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	11	11	1229	1665	2563	2761	5324	2.1	1.7
Gastroenterology	0	0	0	0	30	90	40	108	148	1.3	1.2
Neurology	0	0	0	0	133	25	497	90	587	3.7	3.6
OB/Gynecology	0	0	0	0	522	1431	1324	2261	3585	2.5	1.6
Oral/Maxillofacial	0	0	0	0	5	58	17	121	138	3.4	2.1
Ophthalmology	0	0	0	0	19	975	43	1382	1425	2.3	1.4
Orthopedic	0	0	0	0	918	1839	3233	4965	8198	3.5	2.7
Otolaryngology	0	0	0	0	32	326	57	601	658	1.8	1.8
Plastic Surgery	0	0	0	0	18	262	36	748	784	2.0	2.9
Podiatry	0	0	0	0	70	288	176	663	839	2.5	2.3
Thoracic	0	0	0	0	139	26	466	44	510	3.4	1.7
Urology	0	0	0	0	284	462	689	653	1342	2.4	1.4
Totals	0	0	11	11	3399	7447	9141	14397	23538	2.7	1.9
SURGICAL RECOVERY STATIONS			Stage 1 Recovery Stations		16		Stage 2 Recovery Stations		24		

Dedicated and Non-Dedicated Procedure Room Utilization

Procedure Type	Procedure Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	4	4	1842	6237	1407	4702	6109	0.8	0.8
Laser Eye Procedures	0	0	2	2	2	1264	1	128	129	0.5	0.1
Pain Management	0	0	1	1	56	1909	28	965	993	0.5	0.5
Cystoscopy	0	0	1	1	14	233	7	116	123	0.5	0.5
Multipurpose Non-Dedicated Rooms											
Minor Procedures	0	0	1	1	19	524	7	192	199	0.4	0.4
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	2
Cath Labs used for Angiography procedures	2
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Emergency/Trauma Care

Certified Trauma Center	Yes
Level of Trauma Service	Level 1 Not Applicable
Operating Rooms Dedicated for Trauma Care	0
Number of Trauma Visits:	302
Patients Admitted from Trauma	86
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	33
Persons Treated by Emergency Services:	52,694
Patients Admitted from Emergency:	10,370
Total ED Visits (Emergency+Trauma):	52,996

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	1,245
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	865
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	280
EP Catheterizations (15+)	100

Cardiac Surgery Data

Total Cardiac Surgery Cases:	0
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	0
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	0

Outpatient Service Data

Total Outpatient Visits	239,617
Outpatient Visits at the Hospital/ Campus:	236,143
Outpatient Visits Offsite/off campus	3,474

Diagnostic/Interventional Equipment**Examinations****Radiation Equipment****Therapie:**

	Own	Contract	Inpatient	Outpt	Contract		Owned	Contract	Treatments
General Radiography/Fluoroscopy	13	0	28,243	47,971	0	Lithotripsy	0	0	0
Nuclear Medicine	3	0	2,392	2,879	0	Linear Accelerator	1	0	5,840
Mammography	3	0	20	14,649	0	Image Guided Rad Therapy	0	0	524
Ultrasound	8	0	7,097	21,778	0	Intensity Modulated Rad Thrpy	0	0	694
Angiography	0	0				High Dose Brachytherapy	0	0	0
Diagnostic Angiography			0	0	0	Proton Beam Therapy	0	0	0
Interventional Angiography			1664	1258	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	0	0	0	0	0	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	3	0	12,244	23,512	0				
Magnetic Resonance Imaging	2	1	3,548	6,882	0				

E-012-11 St. Alexius Medical Center - Hoffman Estates

